

# Pricing



Price is important to marketers because it represents marketers' assessment of the value customers see in the product or service and are willing to pay for a product or service.

# Economic Impact on Pricing



Supply and Demand



# Other Market Pricing Influences

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- 1.) Quantity Purchased
- 2.) Customer Service
- 3.) Special Products
- 4.) Channel of Distribution
- 5.) Advertising and Promotion



# Pricing Strategies

- ❖ **Develop marketing strategy** - perform marketing analysis, segmentation, targeting, and positioning.
- ❖ **Make marketing mix decisions** - define the product, distribution, and promotional tactics.
- ❖ **Estimate the demand curve** - understand how quantity demanded varies with price.
- ❖ **Calculate cost** - include fixed and variable costs associated with the product.
- ❖ **Understand environmental factors** - evaluate likely competitor actions, understand legal constraints, etc.
- ❖ **Set pricing objectives** - for example, profit maximization, revenue maximization, or price stabilization (status quo).
- ❖ **Determine pricing** - using information collected in the above steps, select a pricing method, develop the pricing structure, and define discounts.





# Pricing Objectives

- ❖ Maximizing the Profits
- ❖ Targeting a Particular Return on Investment (ROI) (Margin)
- ❖ Increase in Sales
- ❖ When Survival is the Only Priority
- ❖ Making your Product a Trendsetter
- ❖ Stabilizing an Old Business
- ❖ Competition Based Objectives
- ❖ Maintain an Image



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# Price Range

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- ❖ Maximum Price
- ❖ Minimum Price
- ❖ How are they determined?
- ❖ Identify the Factors



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# Break Even Analysis

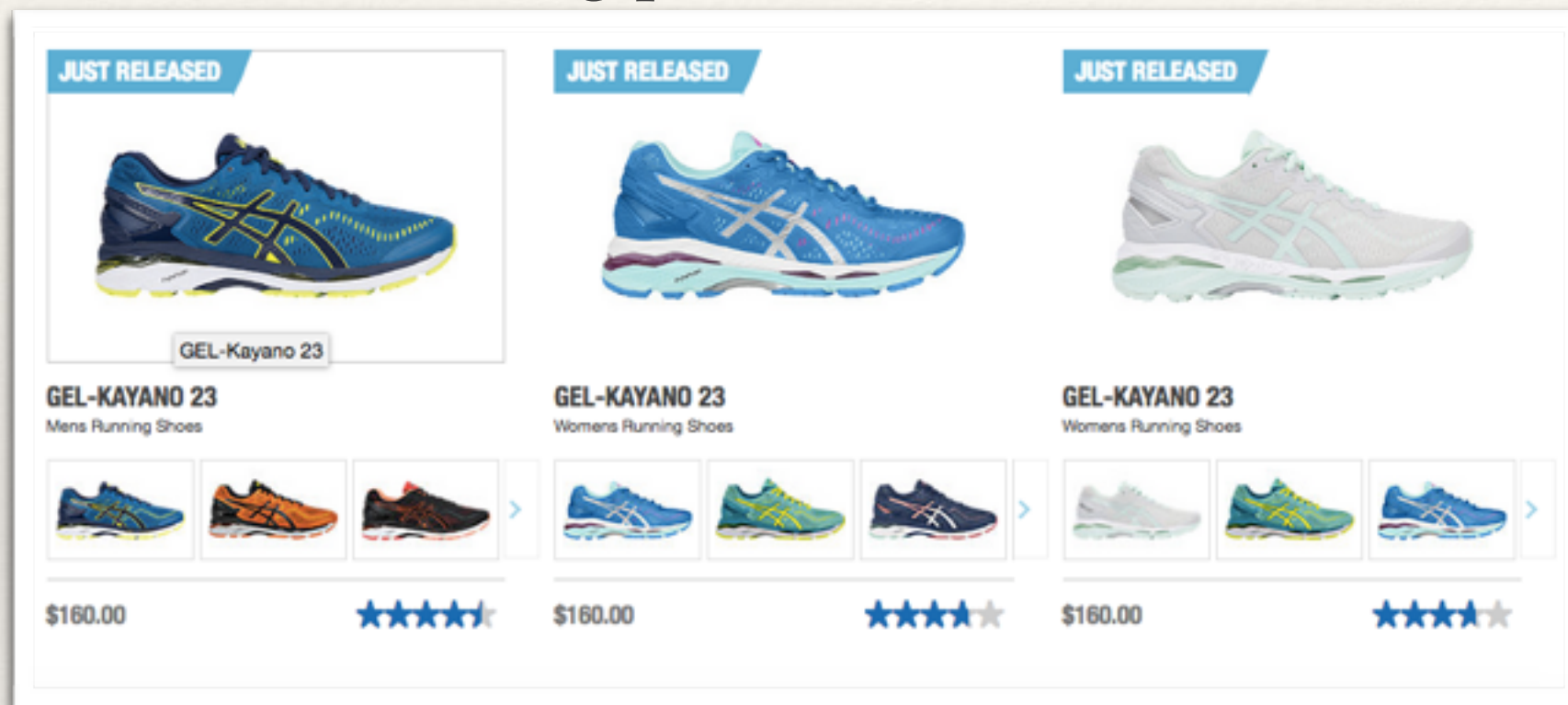
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$$\text{Breakeven Point} = \frac{\text{Total Fixed Costs}}{\text{Price} - \text{Variable Costs}}$$



# Selling Price

- ❖ How is a selling price determined?



- ❖ Markup / Margin
- ❖ COGS, Profit
- ❖ Markdowns / Discounts



# Pricing Discounts/Sales

- ❖ Quantity discount
- ❖ Seasonal discount
- ❖ Cash discount
- ❖ Trade discount
- ❖ Promotional discount



\*\*\*\*\*Offering Credit can increase the buying power or support the purchase process.